

Stinnett, Chair  
Mossotti, Vice Chair  
Gorton  
Akers  
Farmer  
Scutchfield  
Myers  
Clarke  
Henson  
Lane

# A G E N D A

## Environmental Quality Committee

### August 20, 2013

### 11:00 A.M.

1. **April 23, 2013 Committee Summary** (1-3 )
2. **Distillery District Update – Gorton** (4-10)
3. **Internal Audit Waste Management Audit- Stinnett** (11-22)
4. **Empower Lexington Plan: Public Component – Kay** (23-49)
5. **Monthly Financials** (50-54)
6. **Items Referred** (55)

**“Environmental Quality Committee, to which shall be referred matters relating to the Department of Environmental Quality and its divisions, and any related partner agencies.”**

-Council Rules & Procedures, Section 2.102(1)

#### 2013 Meeting Schedule

Jan 29	May 7	Oct 8
Feb 12	June 11	Nov 12
Mar 12	Aug 20	Dec 3
Apr 23	Sept 17	

Environmental Quality Committee  
May 14 2013  
Summary

Stinnett called the meeting to order at 11:00 AM. All committee members were in attendance. Kay also attended.

1. April 23, 2013 Committee Summary

On a motion by Scutchfield, second by Clarke the April 23, 2013 Committee summary was approved unanimously.

2. Drainage Ditch

Henson introduced the subject. Martin provided applicable State legislation and local ordinances that control and regulate maintenance of stormwater control devices. He stated that according to LFUCG Code of Ordinances Sec. 16-87 the private property owner is responsible for non structural maintenance in residential areas. He stated that the ordinance further stated that LFUCG was responsible for structural repairs when a public easement for a stormwater device exists.

Martin stated that UCG Sec. 16-88 also provides some guidance for commercial and industrial areas. He stated that in those cases the property owner was responsible for maintenance and repair of retention and detention basins and other stormwater control devices.

In response to as question from Clarke, Martin stated that the ordinance was not clear regarding non paved ditches.

In response to a question from Henson, Miller stated that Streets & Roads would like to ordinance be made clearer regarding drainage ways.

Katy Stites discussed the maintenance issue at her property on Waller.

Stinnett suggested that the issue remain in Committee to allow the Administration to re draft the ordinance with input from Henson. Martin and staff will also work on mapping the stormwater control devices in the County.

3 Easement Construction Issues

Myers introduced the subject and stated that a few citizens wanted to address the Committee after Martin made his presentation.

Martin discussed the draft Standard Operating Procedure (SOP). He stated that citizens need to be informed when LFUCG is working on or adjacent to their property. He stated that the SOP is a 13 point standard.

1. Crew Foreman will review GIS data to determine if any specific address is impacted;
2. Foreman or designee will make all reason efforts to inform impacted property owners;
3. Direct contact with impacted property owners must occur before any non emergency work begins;

4. Property owners will be provided an updated construction and restoration schedule;
5. All "Before You Dig" procedures must be completed in advance of dig;
6. Foreman must complete an assessment of equipment/manpower needed for dig;
7. Prior to dig foreman is responsible for photos of the work site;
8. Foreman or designee must knock on door of impacted property to give a final overview of work;
9. After work is completed, after site photos must be taken to document condition of site;
10. Foreman is responsible for submitting a Site Restoration Work Order within 3 calendar days after completion; and
11. Supervisor Senior should conduct a weekly review of all outstanding restoration work orders.
12. Supervisor Senior is responsible for conducting site visits every 10 working days until site is restored; and
13. Supervisor must take all steps necessary to ensure that property owner is inconvenienced the minimum amount possible in cases where weather is delaying restoration.

Myers thanked Martin for his and division's work on the SOP.

In response to a question from Clarke, Martin stated that the SOP would apply to outside contractors performing work for LFUCG as well as LFUCG staff.

In response to a question from Farmer, Martin stated that the benchmark was high because citizens should come to expect quality work in a timely manner.

In response to a question from Stinnett, Martin thought that the SOP may be transferrable to other construction/maintenance activities undertaken by LFUCG.

Donald Schoffner, Kim Schroeder and Louis Proctor discussed issues with construction projects in their neighborhoods.

On a motion by Myers, second by Clarke the draft SOP was approved unanimously. Myers requested that the SOP be reviewed after 6 months.

#### 4. Zero Waste Vision for Lexington

Feese discussed the Leadership Lexington Zero Waste presentation and how Waste Management was responding to each recommendation. He discussed community education and marketing of services; expanding organics collection and processing; expanding the Materials Recovery Facility; creating a Construction, Demolition & Debris recycling facility; expanding partnerships for hard to recycle items including electronics; establish a uniform baseline waste collection, recycling and organics services throughout the County; revising the rate structure; and encouraging policy changes to align with the Zero Waste Lexington program. He stated that the Division of Waste Management would start work on a strategic plan which would give direction to future decisions.

West discussed the Operations Efficiency Boost (OEB) project. She stated that the project has already resulted in increased revenue because of more accurate commercial billing; and increased efficiencies

by fewer missed customers. She stated that operational costs for fuel, vehicle maintenance and personnel have started to decrease because of the efficiencies. She stated that the routes will be more balanced in the future. West stated that customer satisfaction and employee safety will be improved. She stated that driver participation has increased substantially.

Lane asked about the cost of the software and implementation. In response West will provide those figures as well as prepare a cost benefit analysis.

#### 5. Monthly Financials

Stinnett noted that the monthly financial reports were in the Committee packet.

In response to a question from Gorton, Martin stated that the Water Quality Fund has more long term obligations than the Fund can absorb at this time. O'Mara discussed the planned management audit of the Water Quality Fund.

In response to a question from Gorton, Stone discussed operating expenditures within the Landfill Fund, Stone stated that the expenses include monitoring of the closed landfills and disposal expenses at the privately operated out of County landfill. By the next meeting those expenditures will be further identified in greater detail.

#### 6. Project Report

Martin highlighted several projects including the Capacity Assurance Program; the Bob O Link trunk sewer design; the Century Hills trunk sewer design; the East Lake trunk sewer design; the Town Branch Waste Water Treatment Plant wet weather storage tank design; the Idle Hour stormwater improvements.

In response to a question from Mossotti, Martin stated that most of the Stormwater Quality Incentive Grants were located on private property.

The meeting adjourned at 12:45 PM.



# Distillery District Update

# Presentation Overview

1. Distillery District Bond Overview
2. RFP Update
3. Next steps to encourage Distillery District development

# **Distillery District Bond**

December 2009: \$2.2 million Distillery District Bond

Build America Bonds

Approximately \$1.7 million remaining

Focus of Bond

- Design and construction of Town Branch Trail section.
- Streetscape improvements
- Feasibility study was added later

# Distillery District Update

RFP 50-2010: December 2010

- Perform a planning and feasibility study for the Manchester Street Improvements and Town Branch Trail Corridor; *after which*
- Develop construction documents and plans for the Town Branch Trail segment; and
- Develop construction documents for the Manchester Street Improvements segment.



## **Next Steps to encourage development through intentional measures**

### **Recommended Approach**

- 1. Trail/park Design and Engineering:**
  - Acquire easements/land necessary for TBT to go through Distillery District.
  - Design and Engineering for Town Branch Trail and Town Branch Park.

**Anticipated Budget: \$800,000**

# **Recommended Approach**

- 2. Street Design and Engineering:**
- Design and engineering to connect Broadway to Manchester.
  - Streetscape design along new corridor.

**Anticipated Budget: \$800,000**

# Questions??



Lexington-Fayette Urban County Government  
OFFICE OF INTERNAL AUDIT

## INTERNAL AUDIT REPORT

DATE: April 26, 2013

TO: Jim Gray, Mayor

CC: Sally Hamilton, Chief Administrative Officer  
Richard Moloney, Commissioner of Environmental Quality & Public Works  
William O'Mara, Commissioner of Finance & Administration  
Steve Feese, Director of Waste Management  
Todd Slatin, Director of Purchasing  
Phyllis Cooper, Director of Accounting  
Susan Straub, Communications Director  
Urban County Council Members  
Internal Audit Board Members

FROM: Bruce Sahli, Director of Internal Audit  
Alicia Boyd, Internal Auditor

RE: Waste Management Expenditures Audit

### Background

Upon the merging of the City of Lexington and Fayette County, the territory of the Merged Government is now divided into a General District, a Full Urban Services District, and five Partial Urban Services Districts. The functions of the General Services District is to provide and maintain all services previously rendered by Fayette County and the City of Lexington, while the functions of the Full and Partial Urban Services Districts is to provide the additional services of refuse collection, street cleaning, and street lighting through assessment of an additional ad valorem tax paid only by property owners in those respective Urban Service Districts. Property owners in the Full Urban Services District pay for all three services, while property owners in the Partial Urban Services District pay for one or two of the services. Revenues raised from the additional ad valorem taxes paid

by property owners in the respective Urban Services District cannot be used to fund the general operations of the government. The Division of Waste Management is responsible for collecting recyclables, yard waste, and trash throughout Lexington-Fayette County.

### Scope and Objectives

The general control objectives for the audit are to provide reasonable assurance that:

- All applicable policies and procedures are being adhered to
- Operating and capital expenditures are reasonable and necessary
- Operating and capital expenditures are properly supported
- Operating and capital expenditures comply with applicable laws, regulations, resolutions, and ordinances, including the Council approved budget

Audit results are based on observations, inquiries, transaction examinations, and the examination of other audit evidence and provide reasonable, but not absolute, assurance controls are in place and are effective. In addition, effective controls in place during an audit may subsequently become ineffective as a result of technology changes or reduced standards of performance on the part of management.

The scope of our audit included operating and capital expenditures incurred during Fiscal Years 2010 through 2012 and Fiscal Year 2013 through November 30, 2012. Only operating and capital expenditures incurred by the Division of Waste Management for garbage and recycling collections were examined.

### Statement of Auditing Standards

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws and regulations when necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

### Audit Opinion

In our opinion, the controls and procedures provided reasonable assurance that the general control objectives were being met. Opportunities to enhance controls are included in the Summary of Audit Findings.

### Priority Rating Process

To assist management in its evaluation, the findings have been assigned a qualitative assessment of the need for corrective action. Each item is assessed a high, moderate, or low priority as follows:

High - Represents a finding requiring immediate action by management to mitigate risks associated with the process being audited.

Moderate -- Represents a finding requiring timely action by management to mitigate risks associated with the process being audited.

Low - Represents a finding for consideration by management for correction or implementation associated with the process being audited.

## SUMMARY OF AUDIT FINDINGS

### Finding #1: Purchasing Policies and Procedures Violations Noted

**Priority Rating: High**

#### **Condition:**

We tested approximately 180 Division of Waste Management expenditures and noted numerous exceptions to Purchasing Policies & Procedures, including:

- Three expenditures in 2010, nine expenditures in 2011, twelve expenditures in 2012, and five expenditures in 2013 had purchase orders dated after the invoice date, indicating goods or services were ordered prior to the issuance of a purchase order.
- Two expenditures in 2011 had purchase requisitions that were less in amount than the purchase order and/or invoice.
- Two purchase orders issued in 2012 were less in amount than related invoices. For one expenditure, the vendor was shorted the difference and subsequently

paid through the use of another purchase order issued in the same year. For the other expenditure, the vendor was shorted the difference and subsequently paid through the use of another purchase order issued in the next fiscal year. Additionally, the difference was recorded in the next fiscal year.

- Two expenditures were charged against a purchase order created in the subsequent fiscal year. See previous bullet.
- In 2011, the surcharge on invoice from a vendor was not paid at all while on another invoice from the same vendor it was paid.

**Effect:**

The exceptions noted above violate or circumvent LFUCG Purchasing Policies, and in some instances resulted in late payments to vendors and partial payments crossing fiscal years. Efforts to resolve these issues by Purchasing or Accounting create additional work for the staff in those Divisions.

**Recommendation:**

The Division of Waste Management should consistently adhere to Purchasing Policies and Procedures. Additional training for Waste Management staff having purchasing responsibilities is also recommended.

**Director of Waste Management Response:**

The majority of these exceptions were from invoices dealing with a vendor regarding our uniforms. We had to use a State Contract dictated by Purchasing. All requisitions were put on the system by April, their contract expired in May and renewed in June with increased prices. We did not receive all of our orders and they are still dribbling in. This has been going on for two years. This resulted in purchase orders dated after the invoice date to adjust for the price increase. Purchasing Coordinators worked with Purchasing to compile the price increases on the purchase orders as compared to the invoices. A lot of the exceptions were out of our control; however, DWM will address this with the Purchasing Coordinators and mandate purchasing training.

We recently got approval for a new contract with a new uniform vendor, and this will correct the problem.

The surcharge was paid on the first invoice to a graphics vendor through miscommunication but was discussed with Purchasing and it was not paid on the other invoice. This was a mistake that will be corrected in the future. The person ordering this explained to the Purchasing Coordinator that it should be paid. This has been explained by Purchasing and DWM management to the Purchasing Coordinator.

The emergency P.O.s were put on due to the equipment breakdown at the MRF. There is a lot of expensive equipment at this location which is vital to operations that would result in piling up of materials, losing revenue, and not being able to handle the loads coming in to this facility. When something breaks down, it is important to fix the problem ASAP.

**Commissioner of Environmental Quality & Public Works Response:**

Commissioner Moloney concurs with the recommendation. There were a lot of issues with the order for employee uniforms that required deviations from normal procurement processes.

**Finding #2: Expenditures Recorded in the Wrong Fiscal Year**  
**Priority Rating: High**

**Condition:**

We noted that multiple expenditures across all fiscal years tested were recorded in the wrong fiscal year when the vendor's invoice date was compared with the accounting date posted in PeopleSoft (the accounting date reflects the fiscal year in which the expenditure is recorded). Under generally accepted accounting principles, expenditures should be recorded in the fiscal year in which they are incurred. According to Accounts Payable personnel, prior to fiscal year end a series of emails are communicated to the Divisions providing guidance on year end expenditures and posting deadlines. If a Division doesn't get documentation to Accounts Payable on time, the expenditure is not recorded in PeopleSoft until the next fiscal year.

**Effect:**

If expenditures are not recorded in the proper fiscal year, liabilities due at June 30 are understated and fund balance is overstated in the CAFR.

**Recommendation:**

The Division of Waste Management should consistently follow the procedures established by Accounting for the year end expenditures process. We also recommend additional training for Waste Management staff having purchasing responsibilities.

**Director of Waste Management Response:**

Once again, a lot of exceptions had to do with uniform orders. Division of Waste Management (DWM) will call vendors with outstanding invoices, and any problems will be reported to managers. DWM will stress to Purchase Coordinators how important this is and rectify the problem.



**Commissioner of Environmental Quality & Public Works Response:**

Commissioner Moloney concurs with the recommendation.

**Finding #3: Written Policy Needed for Employee Uniform Purchases**

**Priority Rating: High**

**Condition:**

Depending on their job duties, employees in the Division of Waste Management may receive uniforms every year and work boots every two years. Waste Management follows an informal policy for uniform purchases, but this policy is not documented. We also noted what appeared to be the purchase of uniforms in bulk, since no employees were identified on the invoice or related Purchase Order.

**Effect:**

The absence of written procedures could result in Waste Management personnel being inconsistent in following management's directions and in fulfilling management's expectations. The absence of written procedures also makes it more difficult to train employees and hold them accountable for their performance. Bulk purchases may result in unnecessary purchases.

**Recommendation:**

The Division of Waste Management should develop a written policy regarding the purchase of employee uniforms. The policy should state how much is to be spent on each employee based on position and job duties, and the circumstances for which additional employee uniforms (if any) may be purchased. Uniform purchases for each employee should be clearly tracked, either through an internal process or indicated on the vendor invoice, to enable management to monitor and review the purchases for appropriateness. Bulk purchases should be eliminated or otherwise closely monitored.

**Director of Waste Management Response:**

A written uniform policy was given to Purchasing last year. DWM has revised the policy and will add it to the SOP and send a final copy to Purchasing.

Multiple PO's were missing items from a uniform vendor. A Division of Waste Management Staff Assistant created this (Purchase Requisition) in bulk due to DWM not receiving all the items ordered from the uniform vendor, and the Division of Waste Management Staff Assistant needed to get the items ordered and received before the end of the Fiscal Year. Purchasing approved ordering the outstanding items through another uniform vendor since LFUCG had a contract with them for T-shirts, and this other vendor agreed to honor the same price as the original uniform vendor. The Waste

Management Staff Assistant used the individual employee order forms to show as supporting documentation for each shirt ordered on the Purchase Order. She used the individual order forms to distribute the outstanding items for each employee and had each employee initial and date when they received the items. DWM keeps accurate records for what each employee ordered and received with their signatures on a spreadsheet for both uniforms and boots.

**Commissioner of Environmental Quality & Public Works Response:**

Commissioner Moloney concurs with the recommendation.

**Finding #4: Incorrect Use of 211-5 Disbursement Request Form**

**Priority Rating: High**

**Condition:**

During our review of year-end transactions, it appeared only eleven payments were made to a vendor in fiscal year 2012 when twelve payments should have been made. Upon further inquiry, we noted that a 211-5 Disbursement Request Form was used for the twelfth (June) payment. As noted on the "Using a 211-5 Disbursement Request Form", a 211-5 cannot be used to pay invoices for the purchase of goods or services that should have been ordered using a purchase order. We were informed by Waste Management personnel this approach may have been taken to pay the expenditure before the fiscal year end. The expenditure was recorded in the proper fiscal year, but part of the expenditure was charged to the wrong fund.

**Effect:**

The Landfill Fund may have an understated fund balance of approximately \$108,000, and the Urban Services Fund may have an overstated fund balance of approximately \$108,000 for Fiscal Year 2012.

**Recommendation:**

The Division of Waste Management should consistently comply with the policies established for the use of the 211-5 form. The Director of Accounting will be notified of the accounting error to determine if a prior period adjustment will be necessary for the FY 2013 CAFR.

**Director of Waste Management Response:**

Part of the expense was inadvertently charged to the Landfill, when \$108,000 should have been charged to Fund 1115 instead of Fund 4121. Error noted and explained to Purchasing Coordinator as well as the rules for using the 211-5.

**Commissioner of Environmental Quality & Public Works Response:**

Commissioner Moloney concurs with the recommendation. It is our standard practice to pay for solid waste disposal with the Landfill Fund and transportation of the waste to the landfill with the Urban Services Fund.

**Finding #5: Council Approved Account Coding Not Consistently Followed**

**Priority Rating: High**

**Condition:**

Our testing identified one expenditure in 2010 and two expenditures in 2013 that were not recorded in the specified fund and/or account as set forth in the related resolution as approved by Council. For example, Council approved \$40,000 to be charged to 1115-303504-3552-75801 and \$21,850 be charged to 1115-303502-3521-96455 for a particular project, but the project expenditure was actually charged to 1115-303501-0001-71299.

We also noted one instance where goods were ordered prior to the Council Resolution to accept the vendor's bid. The vendor sale order date on the invoice was June 26, 2012 and the final action of Council to accept the bid was July 10, 2012. The vendor invoice indicated goods would not be shipped until informed by customer.

**Effect:**

Failure to charge Council approved project costs to the appropriate fund and/or account diminishes the ability to track the specific costs of such projects.

**Recommendation:**

Waste Management should ensure expenditures are recorded in the proper fund and account in compliance with Council ordinances and resolutions. Such expenditures should not be incurred until approved by Council.

**Director of Waste Management Response:**

The original request was filled out by a staff member during the supervisor's absence. The request included the chart string. DWM purchasing staff did as instructed on the request. An Administrative Officer Senior in the Commissioner's Office of the Department of Environmental Quality and Public Works saw it for his approval and he sent an email to change the account string as he felt the chart string was incorrect as it did not relate to the service requested. DWM staff worked with Accounting to change the chart string.

Loan A Box containers were purchased because DWM had run out of containers and they had to be on contract or it would not have gone through Purchasing.

Bluegrass PRIDE invoices were not completed in DWM. These were completed by a Program Manager Senior and Administrative Specialist Senior in the Division of Environmental Policy.

**Commissioner of Environmental Quality & Public Works Response:**

Commissioner Moloney concurs with the recommendation.

**Finding #6: Expenditures Charged to Incorrect Sub-department**  
**Priority Rating: Moderate**

**Condition:**

Our testing identified expenditures incurred for temporary labor in FY 2011 and FY 2012 that were charged to the wrong sub-department (e.g., temporary labor incurred for Refuse Collection or Yard Waste Collection was charged to the Material Recycling Facility). The totals incorrectly charged were \$76,034 and \$57,407, for FY 2011 and FY 2012 respectively. Management indicated the primary reason for this was budgetary limits, i.e. once a budgetary limit was reached the additional costs would be charged to another sub-department.

Budget Ordinance 129-2005 states that annual expenditure budgets are adopted at four control levels, one of which is operating accounts, and each Division Director has authority to spend their budget in various ways as long as the overall budget isn't overspent. However, in our opinion recording costs in the wrong sub-department is not a good practice as it negates the ability to correctly identify costs associated with a Division's sub-department (which essentially constitutes a program or cost center within that Division).

**Effect:**

For Divisions such as Waste Management that provides multiple services, recording costs in the wrong sub-department prevents the Administration and Council from being able to ascertain the actual costs incurred for each service.

**Recommendation:**

The Division of Waste Management should request budget transfers when necessary so service costs can be recorded in the proper sub-department. Council should consider making this a budgetary requirement in order to track service and program costs within the various Divisions.

**Director of Waste Management Response:**

There was one entry of \$76,100 that was paid out of the wrong section. This was accounted for in the Division's financial records. This will not happen again. Budget transfers will always be made.

**Commissioner of Environmental Quality & Public Works Response:**

Commissioner Moloney concurs with the recommendation.

**Finding #7: Uniform Allowance Not Reported On Employee W-2s**

**Priority Rating: Moderate**

We contacted Payroll personnel within the Division of Human Resources and were informed that the issuance of uniforms and boots to Waste Management employees had not been reported to them as a uniform allowance, and therefore is not being reported on Waste Management employees' W-2 Forms.

Generally speaking, clothing or uniforms are excluded from wages of an employee if they are:

- Specifically required as a condition of employment, and
- Are not worn or adaptable to general usage as ordinary clothing, for example a policeman's or fireman's uniform.

**Effect:**

This is a possible violation of IRS Fringe benefit rules noted in IRS Publication 15, Circular E and Publication 15-B.

**Recommendation:**

Division of Waste Management should discuss with payroll whether the purchase of uniforms for employees should be treated as a fringe benefit and included on the employee's W-2.

**Director of Waste Management Response:**

The Division was not aware of this reporting policy, but has corrected it promptly. A Division of Waste Management Administrative Officer has contacted an Accountant Senior the Division of Accounting to set up the proper reporting forms and obtain the submission date for submitting the information. This will be completed and sent to Accounting by the end of October each calendar year.

**Commissioner of Environmental Quality & Public Works Response:**

Commissioner Moloney concurs with the recommendation.

**RISK OBSERVATION**

Standards for the professional practice of internal audit stipulate that it is the Office of Internal Audit's responsibility to inform management of areas where risk to the organization or those it serves exist. The following observation identifies a risk associated with current LFUCG policies and procedures but does not represent a violation of statutes or policies. It is considered to be of sufficient importance to deserve mention in this report to ensure senior management's awareness.

**Purchasing Procedures Allow Invoices to Exceed Related Purchase Orders**

As noted on page 26 of the 2009 Purchasing Manual, modification of information on a purchase order is sometimes necessary. A change requester is issued to make the following changes to a purchase order:

1. Increase or decrease the amount and/or quantity;
2. Modify the description of goods or services; or
3. Cancel.

A change request must be requested when the amount of increase exceeds 5% or \$300 for a purchase order line, not the entire purchase order amount.

We were informed by Division of Purchasing personnel that one primary reason for this policy is to cover the cost of additional freight. We were informed that Divisions don't always remember to add freight to a purchase order, and in order to expedite the purchase and payment processes, an acceptable variance policy was created. During the audit, we noted several instances where the purchase order was less than the amount of the related invoice, and in some instances freight cost was not cause. Although an allowable practice under the current Purchasing Procedures, this weakens the effectiveness of the budget encumbrance process. In addition, allowing a five percent variation for a purchase line, or in some cases multiple purchase lines, on the same purchase order could result in a significant difference in the total amount of the purchase order when compared to the invoice.

We recommend the Division of Purchasing reconsider the benefits versus the risks of this current policy. If it is determined that the policy should be retained, we recommend consideration be given to specifying those instances in which it would be acceptable for

the invoice cost to exceed the purchase order cost, as opposed to the blanket language current in place.

**Director of Purchasing Response:**

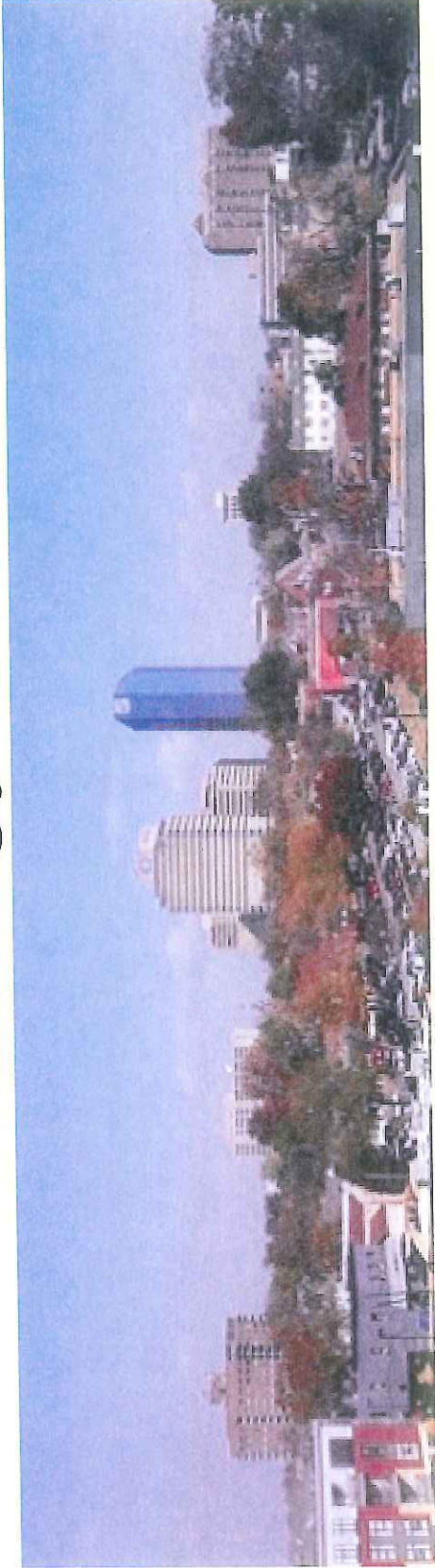
Recommend changing the language in the Purchasing Manual to the following to address the potential risk:

A change request must be requested when the amount of increase exceeds 5% or \$300 for a purchase order line not the entire purchase order amount. A change order must be requested when the entire amount of the change exceeds \$1000 per purchase order.

**Commissioner of Finance & Administration Response:**

Commissioner of Finance & Administration concurs with the Purchasing response.

# *Empower Lexington* Energy Plan



## Community Update August 20, 2013



# About that 1%...

- Voluntary
- Tracked both on a per capita basis and absolute basis
- Compatible with Kentucky's *Action Plan for Energy Efficiency* goal of achieving one percent annual electric savings through energy efficiency

# Residential

Goal–

*“To provide residents with the resources and knowledge needed so they can live more sustainably, save energy and save money”*

# Residential

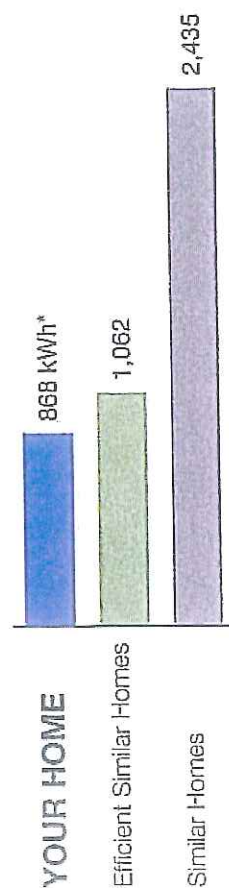
- First ever Energy Tour in 2012 (50 attendees)
- Midwest Energy Conference
- Home energy audit kits checked out 111 times
- Infrared cameras checked out 38 times

# Residential

- The Home Builders Association of Lexington Energy Smart Builders program helps ensure we're building energy efficient housing
- The HBAL was the first in the nation to enter into a MOU with RESNET
- Commits the HBAL to encourage all builder members to have their homes energy rated & market these scores

# Residential Utility Programs

**Last 2 Months Household Comparison** | You used **18% LESS** electricity than efficient similar homes.



\* kWh: A 100-Watt bulb burning for 10 hours uses 1 kilowatt-hour.

■ Similar Homes: Approximately 100 nearby homes similar to yours

■ Efficient Similar Homes: The most efficient 20 per cent of similar homes

How you're doing:



**Are we comparing you correctly?**

Tell us more about your home:

[ige-ku.com/energyprofile](http://ige-ku.com/energyprofile)

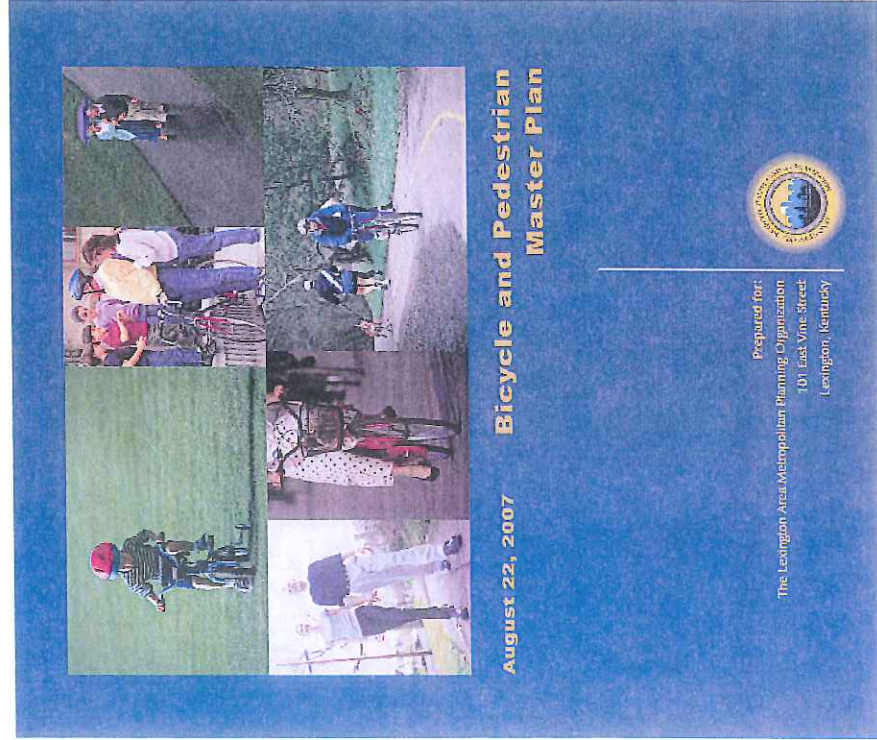
# Transportation

Goal—

*“To provide an efficient, interconnected transportation system that improves quality of life, saves Fayette County citizens time and money, and moves people and goods with less energy”*

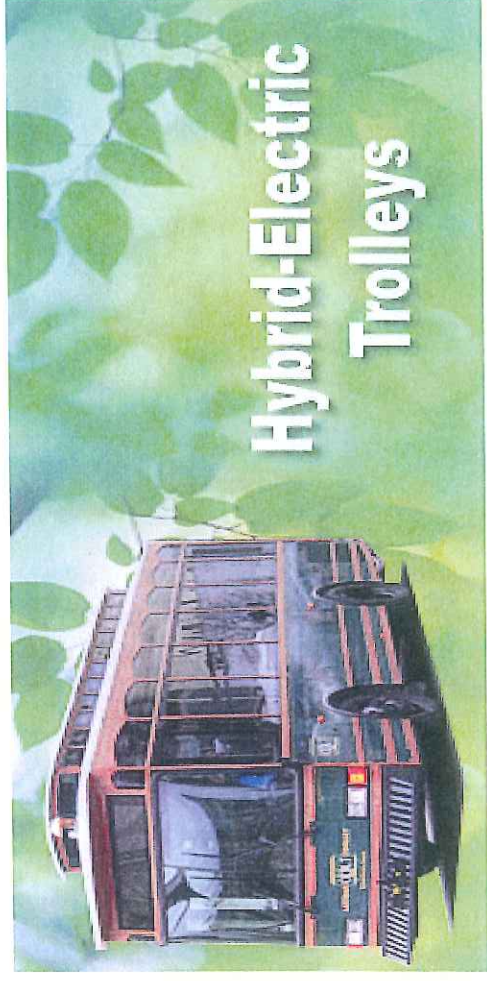
# Bike/Pedestrian Improvements Based on Bike/Ped Plan

- Bates Creek sidewalks
- Loudon sidewalks
- Southland Dr bike lanes
- Bike detectors at key intersections
- Brighton Trail Sec 2
- Gainesway Trail





# Increase Transit Service and Coverage



- 11% increase in ridership
- LexTran study of Nicholasville Rd corridor
- New bus stop signs
- Bus pass vending machine
- Looking at CNG and Hybrid bus replacements



# Ridesharing – Regional Commuter Trip Reduction

- Vanpool transferred to LexTran
- Looking to enhance and expand program
- KY River Foothills commuter buses



# Industrial/Commercial/Institutional

Goal—

*“To promote energy efficiency and provide businesses and organizations with the knowledge and tools needed to save energy and money”*

# Industrial/Commercial/Institutional

- Go Green Workshop
  - 500 attendees over 4 years
- Distributed LED EXIT signs
  - 1,143 to non profits
- LiveGreenLexington Energy Partners
  - 173 businesses now
  - 32 apartment complexes now
- LiveGreenLexington Games
  - 40 participants in 2012



# Land Use/Food/Agriculture

*“To preserve and enhance land and  
Bluegrass soils”*

# Land Use/Food/Agriculture

- 2012 Comp Plan Goals and Objectives
  - supports preservation efforts
- Tree canopy survey
  - underway now
- Reforest the Bluegrass
  - Over 100,000 seedlings & 175 acres of floodplain restored to date
- PDR Program
  - 237 farms totaling 26,000 + acres
- Local foods coordinator pilot
  - Proposed by Council June 2013

# Waste

*“Lexington should pursue a zero waste vision”*

# Waste

- Waste Management developing strategic plan for zero waste
  - HHW management
  - increasing amount & types of recyclable materials
  - collection of food waste in the yard waste program
  - increasing markets for compost
  - recycling of construction and demolition material
  - increasing education on waste reduction
- Zero waste framework presented April 23 by Leadership Lexington

# Waste

- HHW facility design complete
- Drop Box for unwanted pharmaceuticals at Police HQ





# Measuring Community Progress

## 2011 versus 2007

Metric	4 year change	"Annual"
Electricity kWh	-7.6%	-1.9%
Natural Gas Mcf	+1.1%	+0.3%
Transportation miles	-1.4%	-0.4%
Landfill tons	-11.3%	-2.8%

Population up by 23,282

+8.4%

# Electricity

- Residential electricity use (down 2%)
  - 36 million KWH = 2.4 million dollars saved
- Commercial electricity use (down 17.5%)
  - 288 million KWH = 19.4 million dollars saved
- Industrial electricity use (up 20.4%)
  - + 87 million KWH = 5.8 million dollars increase
- “Overall” community savings on electricity approximately 16 million dollars

Based on blended rate of 6.75 cents/KWH

# Natural Gas

- Natural Gas use up 1.1%  
+ 83,000 Mcf = \$479,000 increase

Based on average cost \$5.77 per Mcf (thousand  
cubic feet)

# Transportation (includes interstate travel)

- 2.8 billion Vehicle Miles Traveled in 2011(down 1.4%)
  - = 40 million mile decrease from 2007
  - = 8.8 million dollar savings in fuel

Savings based on average cost of \$3.50 per gallon  
and 16 MPG

# Waste Management

Tons	2007	2011	% chg
Landfill	408,000	362,000	-11.3
Recycling	191,000	218,000	+14.1
Compost	58,000	67,000	+15.5
Total	657,000	647,000	-1.5

Note: Tonnages derived from Fayette County Solid Waste Annual Reports

# Greenhouse Gas Emissions

Year	Total Tons of CO2-e
2007 per capita	6,773,029 24.3
2011 per capita	6,574,968 21.8
2011 vs 2007 per capita	-2.9% -10.4%

Population up by 23,282

+8.4%

# FAYETTE COUNTY 2011 EMISSIONS %

SECTOR	
Residential	27.2%
Commercial	29.3%
Industrial	11.1%
Transportation	26.5%
Waste	5.8%



# CLOSING THOUGHTS

- We're becoming a more energy efficient community
  - Trends are moving in the right direction even with population increasing
  - We're saving money as a community
  - Empower Lexington efforts complement recommendations in the 2012 Comp Plan
- Goals and Objectives



# Next Steps

- Continue efforts to become more energy efficient
- October Empower Lexington meeting
- Track energy use annually
- Annual update to this committee

# Questions?

Thank you for the opportunity to talk about  
*Empower Lexington*

**Total Urban Services Fund**  
**FY 2013 Unaudited Actuals**

	<i>Original Budget Fiscal Year 2013</i>	<i>Unaudited Actual Thru June Fiscal Year 2013</i>
<b><u>Revenue (Total Urban Services Fund)</u></b>		
Realty Tax (Refuse Portion, 83%)	\$25,894,660	\$26,333,347
Realty Tax (Street Light Portion, 12%)	\$3,934,444	\$4,001,098
Realty Tax (Street Cleaning Portion, 5%)	\$1,582,896	\$1,609,712
Other Tax *	\$1,553,000	\$1,635,493
Commodities	\$1,915,400	\$2,112,843
Intergovernmental - BABs Subsidy	\$84,250	\$64,877
Penalty & Interest	\$103,200	\$95,420
Miscellaneous Revenue *	\$2,500	\$378
Fines & Forfeitures	\$1,400	\$2,488
Dead Animal Pick Up	\$0	\$45
Miscellaneous Refuse Revenue	\$6,250	\$10,355
Sale of Surplus Equipment	\$0	\$317,956
 Total Revenue	 \$35,078,000	 \$36,184,011
<b><u>Direct Expense (Total Urban Services Fund)</u></b>		
Contract Debt	\$952,340	\$913,742
Streets and Roads	\$1,500,212	\$1,534,894
Waste Management	\$24,107,118	\$20,086,547
Traffic Engineering	\$5,649,500	\$5,162,008
Environmental Quality	\$329,360	\$171,947
Environmental Policy	\$828,590	\$695,913
Leaf Collection (Parks & Recreation Portion)	\$0	\$0
Capital Expenditures	\$2,860,500	\$516,193
<b><u>Other Expense **</u></b>		
Indirect Cost ***	\$2,224,000	\$2,052,315
Public Works Administration	\$97,200	\$79,652
Contingency	\$236,100	\$0
Government Communications	\$583,860	\$579,350
Human Resources	\$11,730	\$2,925
Risk Management	\$32,240	\$32,664
Law	\$31,040	\$56,983
Finance	\$17,391	\$13,729
Computer Services	\$141,260	\$122,157
Facilities & Fleet Management	\$80,810	\$50,605
 Total Budgeted Expense	 \$39,683,251	 \$32,071,625
 Projected Net Income / (Loss)	 (\$4,605,251)	 \$4,112,386

\* Allocated Based on Property Tax Assessments

\*\* Allocated Based on Total Direct Expenses by Purpose

\*\*\* Indirect Cost Rates: 2011 25%; 2012 25%; 2013 15.42%; 2014 16.67%

# Fund 4002 Sanitary Sewers Operating Fund

## Revenue & Expenditures Statement

Year to Date Through June 30, 2013

Title	Original Budget	Amended Budget	YTD Through 06/30/2013	Remaining Budget	Percent Collected/Used
Revenues:					
Licences and Permits					
Property Tax Accounts					
Charges for Services	43,200,000	43,658,935	48,246,928	-4,587,993	110.5%
Fines and Forfeitures			606	606	0.0%
Intergovernmental Revenue	569,950	569,950	569,952	-2	100.0%
Health Insurance Premiums					
Property Sales					
Investment Income (non-op)	730,000	730,000	-159,966	889,966	-21.9%
Other Financing Sources					
Pension Fund Revenue					
Other Income	50,000	50,000	38,463	11,537	76.9%
Total Revenue	44,549,950	45,008,885	48,695,983	-3,685,886	108.2%
Expenses:					
Personnel	11,270,930	11,379,602	9,975,524	1,404,078	87.7%
Operating Expenses	23,717,935	23,767,047	19,821,578	3,945,469	83.4%
Transfers		1,508,935	1,208,935	300,000	80.1%
Capital	4,528,400	3,663,141	2,993,058	670,083	81.7%
Total Expenditures	39,517,265	40,318,725	33,999,094	6,319,631	84.3%
Net Difference	5,032,685	4,690,160	14,696,889		
FY Available Fund Balance	0	0			
	<u>5,032,685</u>	<u>4,690,160</u>			
FUNDS 4002-4004:					
Unrestricted Fund Balance 6.30.12 4.8 M					
Capital Reserves	56.2 M				

# Fund 4003 Sanitary Sewers Construction Fund

## Revenue & Expenditures Statement

Year to Date Through June 30, 2013

Title	Original Budget	Amended Budget	YTD Through 06/30/2013	Remaining Budget	Percent Collected/Used
Revenues:					
Licences and Permits					
Property Tax Accounts					
Charges for Services			68,886	68,886	0.0%
Fines and Forfeitures					
Intergovernmental Revenue					
Health Insurance Premiums					
Property Sales					
Investment Income (non-op)			470	470	0.0%
Other Financing Sources	20,000,000	21,050,000		21,050,000	0.0%
Pension Fund Revenue					
Other Income		458,935	458,935		
Total Revenue	20,000,000	21,508,935	528,291	21,119,356	2.5%
Expenses:					
Personnel	0	0	0	0	
Operating Expenses	4,050,000	1,817,491	1,825,516	-8,026	100.4%
Transfers		-750,000	-750,000	0	0.0%
Capital	16,739,438	15,438,749	15,609,629	-170,880	101.1%
Total Expenditures	20,789,438	16,506,240	16,685,146	-178,906	101.1%
Net Difference	-789,438	5,002,695	-16,156,854		
FY Available Fund Balance	0	0			
	-789,438	5,002,695			
FUNDS 4002-4004:					
Capital Reserves	56.2 M				

# Fund 4051 Water Quality Operating Fund

## Revenue & Expenditures Statement

Year to Date Through June 30, 2013

Title	Original Budget	Amended Budget	YTD Through 06/30/2013	Remaining Budget	Percent Collected/Used
Revenues:					
Licences and Permits					
Property Tax Accounts					
Charges for Services	10,900,000	10,900,000	12,278,536	-1,378,536	112.6%
Fines and Forfeitures			12,393	12,393	0.0%
Intergovernmental Revenue					
Health Insurance Premiums					
Property Sales					
Investment Income (non-op)	4,000	4,000	-60,319	64,319	-1508.0%
Other Financing Sources					
Pension Fund Revenue					
Other Income			5,546	5,546	0.0%
Total Revenue	10,904,000	10,904,000	12,236,156	-1,296,278	112.2%
Expenses:					
Personnel	3,946,740	3,993,820	4,025,280	-31,460	100.8%
Operating Expenses	6,426,390	5,433,840	4,396,054	1,037,787	80.9%
Transfers		191,971	17,021	174,950	8.9%
Capital	1,595,700	1,958,392	837,138	1,121,254	42.7%
Total Expenditures	11,968,830	11,578,024	9,275,492	2,302,532	80.1%
Net Difference	-1,064,830	-674,024	2,960,664		
FY Available Fund Balance	0	0			
	-1,064,830	-674,024			
Unrestricted Fund Balance					
6.30.12	7.2 M				

**Fund 4121 Landfill Operating Fund****Revenue & Expenditures Statement**

Year to Date Through June 30, 2013

<b>Title</b>	<b>Original Budget</b>	<b>Amended Budget</b>	<b>YTD Through 06/30/2013</b>	<b>Remaining Budget</b>	<b>Percent Collected/Used</b>
Revenues:					
Licences and Permits					
Property Tax Accounts					
Charges for Services	6,704,530	6,704,530	6,645,304	59,226	99.1%
Fines and Forfeitures					
Intergovernmental Revenue					
Health Insurance Premiums					
Property Sales					
Investment Income (non-op)	2,500	2,500	2,652	-152	106.1%
Other Financing Sources					
Pension Fund Revenue					
Other Income	218,000	218,000	100,000	118,000	45.9%
<b>Total Revenue</b>	<b>6,925,030</b>	<b>6,925,030</b>	<b>6,747,955</b>	<b>177,075</b>	<b>97.4%</b>
Expenses:					
Personnel	865,220	790,424	785,720	4,704	99.4%
Operating Expenses	5,943,880	6,161,747	3,722,537	2,439,210	60.4%
Transfers	200,000	200,000	200,000	0	100.0%
Capital		3,914,076	4,172,982	-258,906	106.6%
<b>Total Expenditures</b>	<b>7,009,100</b>	<b>11,066,247</b>	<b>8,881,238</b>	<b>2,185,009</b>	<b>80.3%</b>
Net Difference	-84,070	-4,141,217	-2,133,283		
FY Available Fund Balance	0	0			
	<u>-84,070</u>	<u>-4,141,217</u>			
<b>Unrestricted Fund Balance</b>					
<b>6.30.12</b>	<b>11.1 M</b>				

## Committee Referrals

### Environmental Quality Committee

Item	Referred By	Date	Status
Capacity Analysis	Blues		Part of RMP
Waste Management Funding Options	Stinnett	4-13-11	Waste Management Task Force
Consolidate Greenway Responsibilities	EQ Link	6-19-11	
UK Game Day Solid Waste Collection: Revenue Source	EQ Link	6-19-11	Waste Management Task Force
Bulky Item Collection: Revenue Source	EQ Link	6-19-11	Waste Management Task Force
DWQ Construction Process	Myers	3-17-12	
<b>Empower Lexington Plan</b>	<b>Kay</b>	<b>3-20-12</b>	<b>Spring/Summer 2013</b>
Annual Report on Public Education Effectiveness	EQ/PW Link	5-19-12	March 12, 2013
<b>Distillery District Update</b>	<b>Gorton</b>	<b>11-6-12</b>	<b>February 12, 2013</b>
Drainage Maintenance Issues	Henson	11-13-12	
<b>Waste Management Expenditure Audit</b>	<b>Stinnett</b>	<b>4-23-13</b>	

Pas 8-8-13